

**Agency Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	76.50	1.00	1.00	78.50	1.00	1.00	78.50	78.50
Personal Services	3,422,314	549,631	269,631	4,241,576	562,005	469,540	4,453,859	8,695,435
Operating Expenses	2,659,003	2,729,535	8,160	5,396,698	2,722,843	4,750	5,386,596	10,783,294
Grants	573,215	0	250,958	824,173	0	352,399	925,614	1,749,787
Benefits & Claims	472,478	5,148,534	1,000,000	6,621,012	5,151,722	1,000,000	6,624,200	13,245,212
<b>Total Costs</b>	<b>\$7,127,010</b>	<b>\$8,427,700</b>	<b>\$1,528,749</b>	<b>\$17,083,459</b>	<b>\$8,436,570</b>	<b>\$1,826,689</b>	<b>\$17,390,269</b>	<b>\$34,473,728</b>
General Fund	0	0	0	0	0	0	0	0
State/Other Special	7,127,010	8,427,700	1,528,749	17,083,459	8,436,570	1,826,689	17,390,269	34,473,728
Proprietary	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$7,127,010</b>	<b>\$8,427,700</b>	<b>\$1,528,749</b>	<b>\$17,083,459</b>	<b>\$8,436,570</b>	<b>\$1,826,689</b>	<b>\$17,390,269</b>	<b>\$34,473,728</b>

**Agency Description**

The Office of the State Auditor (SAO) is authorized under Article VI of the Montana Constitution. The State Auditor is the ex-officio Commissioner of Insurance and Securities and is responsible for licensing and regulating insurance companies and agents, and registering and regulating securities dealers in the state. The auditor also adopts rules and administers reform for the insurance and securities industries operating in the state. The auditor also serves as a member of the Board of Land Commissioners and the Crop Hail Insurance Board.

The statutory duties of the State Auditor are administered from three divisions: Central Management, Insurance, and Securities. The State Auditor's Office is also a conduit for the Fire and Police Retirement Program, a "pass through" program. The Fire and Police Retirements Program funds are from general insurance (33-2-705, MCA) and fire insurance premium taxes (50-3-109, MCA). Funding for this program is disbursed from the general fund. In FY 2006, \$17.8 million went to the Municipal Police Officers' Retirement System, Firefighters' Unified Retirement System, the Volunteer Fighters' Compensation Act, local fire department relief associations, municipalities with police department trust funds, and local police pension funds for supplemental benefits.

**Agency Highlights**

State Auditor's Office Major Budget Highlights
<p>Total funding increases include:</p> <ul style="list-style-type: none"> <li>◆ Annualization of Insure Montana program costs of \$14.9 from the FY 06 base level</li> <li>◆ Statewide present law adjustments for personal services of \$1.2 million</li> <li>◆ \$447,007 for costs associated with insurance examinations</li> <li>◆ Operating expenses for the Insure Montana program</li> <li>◆ Additional FTE and operating expenses to archive records into a data base</li> <li>◆ \$60,300 in FY 2008 and \$56,940 in FY 2009 in state special revenue funds to support 1.00 FTE and operating costs to work in the Captive Insurance program</li> </ul>

### Summary of Legislative Action

The legislature approved an increase of \$11.4 million of additional state special revenue when compared to the 2007 biennium for the SAO. The majority of the increase is due to annualization of the costs for the Insure Montana premium assistance and business tax credit programs. The premium assistance program, a program to provide small businesses and their employees with assistance in purchasing health care insurance, was begun in FY 2006. The program first insured businesses in January 2006, half-way through the state fiscal year. The program became fully operational in June 2007. The present law adjustment increases allow for the annualization of the program costs to the full amount anticipated in the FY 2009 biennium. New proposals of \$0.6 million per year increase the amount of state special revenue funds allocated to the program and allow for a total of 764 employers and their employees to receive premium assistance during the 2009 biennium.

Business tax credits are also offered to small businesses already providing health insurance benefits to their employees. The legislature approved increasing the amount of funding for this portion of Insure Montana by \$0.4 million per year. The total number of businesses budgeted to receive tax credits during the 2009 biennium is estimated by SAO to be about 700 businesses. Funding for increased database support and additional office space for the program was also included.

Funding for the Montana Comprehensive Health Association was increased by \$603,357 over the 2009 biennium. Revenues from the tobacco settlement fund increases for additional premium assistance to low income Montanans who have been denied insurance due to major illnesses.

Additional state special revenue funding was appropriated to provide for 1.0 FTE and operational costs if the number of captive insurance programs in Montana increases to more than 30. The captive insurance industry has been growing, climbing from a single company receiving a certificate of authority in FY 2001 to 26 companies in FY 2007. In addition to issuing certificates of authority, the SAO does regulatory oversight as required by law.

The legislature approved restricted appropriations for contract examinations conducted on authorized insurers and broker-dealer and registered investment advisory firms conducting business in Montana. The majority of the cost of the examinations is offset by reimbursements from the companies being examined.

The legislature increased funding and added 1.0 FTE for both the Licensing and Rates and Forms Bureaus to archive paper records into an electronic format. The FTE should assist in reducing the backlog of records to be archived.

The legislature also added \$5,000 of general fund to the SAO to provide funding for an annual report to the Legislative Finance Committee on goals and measurable objectives. The LFC requested measurable objectives from the SAO beginning in March 2006 and the legislature requested them as part of the "template" process. The SAO did not comply with either request. The legislature included language in HB 2 requiring the SAO to have a report on goals and measurable objectives by August 15, 2007. The Governor line item vetoed the funding and the language for the reports when he signed HB 2.

### Funding

The following table summarizes funding for the agency, by program and source. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget			
Agency Program	State Spec.	Grand Total	Total %
01 Central Management	\$ 1,343,262	\$ 1,343,262	3.90%
03 Insurance	31,378,786	31,378,786	91.02%
04 Securities	1,751,680	1,751,680	5.08%
Grand Total	<u>\$ 34,473,728</u>	<u>\$ 34,473,728</u>	<u>100.00%</u>

The SAO is entirely funded by state special revenue generated by insurance fees and taxes levied on the insurance industry of the sale of insurance policies in Montana, and security fees charged to the securities industry for the registration of securities and agents, or for the notices of a federal filing of a federally secured security. Resident and non-resident companies or individuals conducting insurance or security business in Montana are subject to fees. Insurance fees and taxes are deposited into a special revenue account under the same name. Fees generated with security licenses and permits are deposited into a special revenue security fee account. In accordance with 10-1-115, MCA, unspent collections from this account are deposited to the general fund. Deposits to the general fund were approximately \$2.2 million in FY 2006. Consequently, the amount of these funds appropriated to and spent by the office has a direct bearing on general fund.

The legislature added \$21,845,948 in state special revenue from taxes on cigarettes and other tobacco products to be used in the small business insurance pool and tax credit programs. Also, there is \$1,749,787 over the biennium for Montana Comprehensive Health Association, the insurance premium assistance program for low-income Montanans with major illnesses.

### Other Legislation

Senate Bill 84 transferred the administration of the forest reserve and other federal funds from the State Auditor's Office to the Department of Administration. The Forest Reserve Shared Revenue was statutorily appropriated to the SAO and distributed to counties in which the forest reserves were situated.

### Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	76.50	77.50	78.50	1.00	77.50	78.50	1.00	
Personal Services	3,422,314	4,018,247	4,241,576	223,329	4,030,667	4,453,859	423,192	646,521
Operating Expenses	2,659,003	5,296,836	5,396,698	99,862	5,286,739	5,386,596	99,857	199,719
Grants	573,215	824,173	824,173	0	925,614	925,614	0	0
Benefits & Claims	472,478	6,621,012	6,621,012	0	6,624,200	6,624,200	0	0
Total Costs	\$7,127,010	\$16,760,268	\$17,083,459	\$323,191	\$16,867,220	\$17,390,269	\$523,049	\$846,240
General Fund	0	0	0	0	0	0	0	0
State/Other Special	7,127,010	16,760,268	17,083,459	323,191	16,867,220	17,390,269	523,049	846,240
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$7,127,010	\$16,760,268	\$17,083,459	\$323,191	\$16,867,220	\$17,390,269	\$523,049	\$846,240

The legislative budget is \$100,700 higher than the proposed executive budget in state special revenue funds each year of the biennium due to the addition of 1.00 FTE and operating costs relating to a Captive Insurance program and additional operating costs relating to the Insure Montana program.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	445,440	107,787	18,112	571,339	109,541	41,665	596,646	1,167,985
Operating Expenses	79,957	10,169	0	90,126	5,194	0	85,151	175,277
<b>Total Costs</b>	<b>\$525,397</b>	<b>\$117,956</b>	<b>\$18,112</b>	<b>\$661,465</b>	<b>\$114,735</b>	<b>\$41,665</b>	<b>\$681,797</b>	<b>\$1,343,262</b>
General Fund	0	0	0	0	0	0	0	0
State/Other Special	525,397	117,956	18,112	661,465	114,735	41,665	681,797	1,343,262
<b>Total Funds</b>	<b>\$525,397</b>	<b>\$117,956</b>	<b>\$18,112</b>	<b>\$661,465</b>	<b>\$114,735</b>	<b>\$41,665</b>	<b>\$681,797</b>	<b>\$1,343,262</b>

**Program Description**

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the State Auditor's Office. The division also provides support to the auditor in fulfilling the duties as a member of the state land and hail insurance boards.

**Program Highlights**

Central Management Division Major Budget Highlights	
♦	Annual increases are due to present law adjustments and a 2 percent increase in rent

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Central Management						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>02000 Total State Special Funds</b>	<b>525,397</b>	<b>100.0%</b>	<b>661,465</b>	<b>100.0%</b>	<b>681,797</b>	<b>100.0%</b>
02235 Insurance Fee Account	505,491	96.2%	622,169	94.1%	640,887	94.0%
02283 Securities Fee Account	19,906	3.8%	39,296	5.9%	40,910	6.0%
<b>Grand Total</b>	<b>\$ 525,397</b>	<b>100.0%</b>	<b>\$ 661,465</b>	<b>100.0%</b>	<b>\$ 681,797</b>	<b>100.0%</b>

This program is funded with state special revenue generated by fees and taxes for entities conducting insurance or security business in Montana as identified and defined in 33-2-705 through 708, MCA.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					126,944					128,766
Vacancy Savings					(19,157)					(19,225)
Inflation/Deflation					509					554
Fixed Costs					8,614					3,045
<b>Total Statewide Present Law Adjustments</b>					<b>\$116,910</b>					<b>\$113,140</b>
DP 1 - Annual Rent Increase										
	0.00	0	1,069	0	1,069	0.00	0	1,619	0	1,619
DP 6015 - State Motor Pool Rate Change										
	0.00	0	(23)	0	(23)	0.00	0	(24)	0	(24)
<b>Total Other Present Law Adjustments</b>										
	<b>0.00</b>	<b>\$0</b>	<b>\$1,046</b>	<b>\$0</b>	<b>\$1,046</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,595</b>	<b>\$0</b>	<b>\$1,595</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$117,956</b>					<b>\$114,735</b>

DP 1 - Annual Rent Increase - The legislature provided state special revenue funds for the cost of the annual 2 percent rate increase for rent based upon FY 2006 rates. Rent for FY 2006 was \$26,168.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

**New Proposals**

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	0	17,626	0	17,626	0.00	0	41,160	0	41,160
DP 6014 - Retirement Employer Contribution - HB 131										
01	0.00	0	486	0	486	0.00	0	505	0	505
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$18,112</b>	<b>\$0</b>	<b>\$18,112</b>	<b>0.00</b>	<b>\$0</b>	<b>\$41,665</b>	<b>\$0</b>	<b>\$41,665</b>

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contribution - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

**Language**

The legislature approved the following language relating to goals and measurable objectives for inclusion in HB 2:

"Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's and programs' templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision package 5. The report must address the following:

- (1) progress toward the goals; and
- (2) measurable objectives that will be used to measure the goals.

If the reports are not received by the legislative finance committee by August 15, 2007, and June 30, 2008, the fiscal year 2009 appropriation is void."

The Governor struck the appropriation provided for the reports and the language when he signed HB 2.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	53.50	1.00	1.00	55.50	1.00	1.00	55.50	55.50
Personal Services	2,455,413	335,364	204,734	2,995,511	344,633	345,191	3,145,237	6,140,748
Operating Expenses	2,466,305	2,647,374	8,160	5,121,839	2,650,145	4,750	5,121,200	10,243,039
Grants	573,215	0	250,958	824,173	0	352,399	925,614	1,749,787
Benefits & Claims	472,478	5,148,534	1,000,000	6,621,012	5,151,722	1,000,000	6,624,200	13,245,212
<b>Total Costs</b>	<b>\$5,967,411</b>	<b>\$8,131,272</b>	<b>\$1,463,852</b>	<b>\$15,562,535</b>	<b>\$8,146,500</b>	<b>\$1,702,340</b>	<b>\$15,816,251</b>	<b>\$31,378,786</b>
State/Other Special	5,967,411	8,131,272	1,463,852	15,562,535	8,146,500	1,702,340	15,816,251	31,378,786
Proprietary	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$5,967,411</b>	<b>\$8,131,272</b>	<b>\$1,463,852</b>	<b>\$15,562,535</b>	<b>\$8,146,500</b>	<b>\$1,702,340</b>	<b>\$15,816,251</b>	<b>\$31,378,786</b>

**Program Description**

The Insurance Division regulates the insurance industry in Montana. The Policyholder Services Bureau is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Examinations Bureau is responsible for monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. The Rates and Forms Bureau is responsible for reviewing form filings and rate filings to ensure compliance with the applicable insurance code. The Licensing Bureau is responsible for licensing and providing continuing education to insurance agents, agencies, and adjusters. The Investigations Bureau investigates insurance code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution. Insure Montana provides assistance in purchasing health insurance for small business employers and their employees, as well as tax credits for small businesses already providing health insurance.

**Program Highlights**

Insurance Division Major Budget Highlights	
The legislature added \$11.0 million or 55 percent over the 2007 biennium. Of this total \$9.0 million is related to either increased costs or additional funding for the Insure Montana program.	
The legislature also:	
♦	Approved funds for insurance examinations
♦	Provided FTE for data archiving and captive insurance program regulation
♦	Increased funding for premium assistance through MCHA

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Insurance						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>02000 Total State Special Funds</b>	<b>\$ 5,967,411</b>	<b>100.0%</b>	<b>\$ 15,562,535</b>	<b>100.0%</b>	<b>\$ 15,816,251</b>	<b>100.0%</b>
02235 Insurance Fee Account	3,015,397	50.5%	3,810,038	24.5%	3,952,594	25.0%
02769 Health Insurance Premium Assistance	615,450	10.3%	6,557,006	42.1%	6,562,840	41.5%
02770 Health Insurance Tax Credits	1,763,349	29.5%	4,371,318	28.1%	4,375,203	27.7%
02789 6901-Chip/Mcha Tobacco Sett Fd	573,215	9.6%	824,173	5.3%	925,614	5.9%
<b>Grand Total</b>	<b>\$ 5,967,411</b>	<b>100.0%</b>	<b>\$ 15,562,535</b>	<b>100.0%</b>	<b>\$ 15,816,251</b>	<b>100.0%</b>

This program is funded through state special revenue generated from a percentage charge against every insurance policy sold in the state, as well as from charges for insurance company examinations and fees paid by individual agents. The program also receives funding from taxation on tobacco products under the Health and Medicaid Initiatives account for the Insure Montana program and tobacco settlement funds for the Montana Comprehensive Health Association.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				417,139					426,765
Vacancy Savings				(114,901)					(115,288)
Inflation/Deflation				8,943					11,341
Fixed Costs				16,759					(5,207)
<b>Total Statewide Present Law Adjustments</b>				<b>\$327,940</b>					<b>\$317,611</b>
DP 1 - Annual Rent Increase	0.00	0	6,175	6,175	0.00	0	9,355	0	9,355
DP 2 - Insure Montana FTE	0.00	0	100,000	100,000	0.00	0	100,000	0	100,000
DP 3 - Additional Office Space	0.00	0	8,852	8,852	0.00	0	9,028	0	9,028
DP 4 - Licensing FTE	1.00	0	42,844	42,844	1.00	0	39,525	0	39,525
DP 5 - Insure Montana Annualization	0.00	0	7,433,218	7,433,218	0.00	0	7,436,406	0	7,436,406
DP 6 - Contract Examinations (RST)	0.00	0	212,336	212,336	0.00	0	234,671	0	234,671
DP 6015 - State Motor Pool Rate Change	0.00	0	(93)	(93)	0.00	0	(96)	0	(96)
<b>Total Other Present Law Adjustments</b>	<b>1.00</b>	<b>\$0</b>	<b>\$7,803,332</b>	<b>\$7,803,332</b>	<b>1.00</b>	<b>\$0</b>	<b>\$7,828,889</b>	<b>\$0</b>	<b>\$7,828,889</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$8,131,272</b>					<b>\$8,146,500</b>

DP 1 - Annual Rent Increase - The legislature provided funding to support an annual rate increase in rent of 2 percent per year based upon FY 2006 rates. Rent for FY 2006 was \$150,953.

DP 2 - Insure Montana FTE - The legislature provided \$100,000 of state special revenue funds in each year of the biennium to support contracting for IT support related to the Insure Montana program.

DP 3 - Additional Office Space - The legislature approved state special revenue appropriations in both fiscal years to provide additional office space to house Insure Montana staff in one central location. The new space is estimated to be 731 square feet at a cost of \$12.11 per square foot in FY 2008 and \$12.35 per square foot in FY 2009.



DP 4 - Licensing FTE - The legislature provided support for 1.00 FTE and \$42,844 in state special revenue in FY 2008 and \$39,525 in FY 2009 to archive paper records in an electronic format.

DP 5 - Insure Montana Annualization - The legislature included \$7,433,219 in FY 2008 and \$7,436,406 in FY 2009 of state special revenue (I-149 revenue) to bring the funding of Insure Montana to the FY 2007 appropriated funding level.

*The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.*

Justification: Research done by the University of Montana shows that one in five Montanans does not have health insurance. Fifty-three percent of Montana's uninsured population works full time for small businesses. Montana is a small business state, with 81 percent of businesses employing fewer than 10 people. Many of these small businesses can't afford to provide insurance, in part because they don't have enough employees to seek competitive rates. When surveyed 80 percent said they would provide insurance to their employees, if it was affordable.

Goals: The program has three goals.

- Provide tax credits to small businesses that currently offer their employees health insurance
- Establish a purchasing pool through which small businesses can more competitively bid for health care coverage
- Provide premium assistance to the owners and employees of small businesses participating in the purchasing pool

Performance Criteria:

- Maintain at least 95 percent budget expended and maximum coverage each year program is in operation
- Maintain maximum capacity of businesses covered by Purchasing Pool each year program is in operation.
- Maintain threshold of 630 businesses covered, or maximum capacity, by Tax Credit Program each year program is in operation.

Milestones:

- Renewal of Purchasing Pool coverage contract (October 2006 to Jan 2007).
- Transfer of tax credit encumbered funds to Department of Revenue for distribution to businesses (January 2007).
- Expend 95 percent of budget with maximum coverage (April 2007).
- Renew Purchasing Pool coverage at similar levels and price (December 2006).

FTE: Three FTEs administer this program. A Purchasing Pool Program Specialist, Tax Credit Program Specialist, and a Program Manager

Funding: Insure Montana funding comes from state special revenue health and Medicaid initiatives fund generated by tobacco taxes.

Obstacles:

- Businesses take longer than anticipated to fill out and return coverage applications for the Purchasing Pool (60-90 days versus the expected 30 days).
- Information sharing with the Department of Administration and Department of Revenue must be carefully coordinated to ensure program quality and efficiency.
- Low rates and good coverage must be maintained in a volatile health insurance market.

Risk: Loss of coverage for individuals insured under this program would be detrimental as the unpaid costs of the health care uninsured individuals receive are absorbed by others as losses on unpaid costs are recovered through prices increases.

DP 6 - Contract Examinations (RST) - The legislature approved state special revenue for insurance contract examinations conducted on authorized insurers licensed in Montana at least once every 5 years.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

### New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - MCHA Additional Funding										
03	0.00	0	250,958	0	250,958	0.00	0	352,399	0	352,399
DP 102 - Insure Montana Additional Funding										
03	0.00	0	1,000,000	0	1,000,000	0.00	0	1,000,000	0	1,000,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	0	149,453	0	149,453	0.00	0	289,739	0	289,739
DP 6014 - Retirement Employer Contributions - HB 131										
03	0.00	0	3,141	0	3,141	0.00	0	3,262	0	3,262
DP 7007 - Captive Insurance Program										
03	1.00	0	60,300	0	60,300	1.00	0	56,940	0	56,940
Total	1.00	\$0	\$1,463,852	\$0	\$1,463,852	1.00	\$0	\$1,702,340	\$0	\$1,702,340

DP 101 - MCHA Additional Funding - The legislature provided additional funding for the Montana Comprehensive Health Association (MCHA) of \$250,958 in FY 2008 and \$352,399 in FY 2009 in state special revenue. This funding is derived from the state tobacco settlement payment distribution.

DP 102 - Insure Montana Additional Funding - The legislature increased funding for the Insure Montana program by \$1,000,000 state special revenue each year of the biennium. In accordance with 33-22-2008(2), MCA, the funding is split 60 percent for premium assistance and employer incentives and 40 percent for tax credits.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 7007 - Captive Insurance Program - The legislature approved \$60,300 in FY 2008 and \$56,940 in FY 2009 in state special revenue funds to support 1.00 FTE and operating costs to work in the Captive Insurance program.

### Language

"Captive Insurance Program funding may be used only when the number of captive insurance companies registered with the office of the state auditor reaches 30."

### Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	521,461	106,480	46,785	674,726	107,831	82,684	711,976	1,386,702
Operating Expenses	112,741	71,992	0	184,733	67,504	0	180,245	364,978
<b>Total Costs</b>	<b>\$634,202</b>	<b>\$178,472</b>	<b>\$46,785</b>	<b>\$859,459</b>	<b>\$175,335</b>	<b>\$82,684</b>	<b>\$892,221</b>	<b>\$1,751,680</b>
State/Other Special	634,202	178,472	46,785	859,459	175,335	82,684	892,221	1,751,680
<b>Total Funds</b>	<b>\$634,202</b>	<b>\$178,472</b>	<b>\$46,785</b>	<b>\$859,459</b>	<b>\$175,335</b>	<b>\$82,684</b>	<b>\$892,221</b>	<b>\$1,751,680</b>

### Program Description

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and, in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, and investment adviser representatives. The division also is responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$25 million. The Investigations Bureau investigates securities code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution.

### Program Highlights

Securities Division Major Budget Highlights	
Total funding increases are due to:	
◆	Statewide present law adjustments
◆	A 2 percent rent increase
◆	Increased funding for costs associated with security contract examinations

### Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Securities						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
<b>02000 Total State Special Funds</b>	<b>\$ 634,202</b>	<b>100.0%</b>	<b>\$ 859,459</b>	<b>100.0%</b>	<b>\$ 892,221</b>	<b>100.0%</b>
02283 Securities Fee Account	634,202	100.0%	859,459	100.0%	892,221	100.0%
<b>Grand Total</b>	<b>\$ 634,202</b>	<b>100.0%</b>	<b>\$ 859,459</b>	<b>100.0%</b>	<b>\$ 892,221</b>	<b>100.0%</b>

The Securities Program is funded with state special revenue from the securities fee account, which receives its revenue from securities portfolio registration fees charged to investment advisors and investment companies, as well as from security licenses and permits. In accordance with 30-1-115, MCA, unspent collections from security licenses and permits are deposited to the general fund. Deposits to the general fund were approximately \$2.2 million in FY 2006. Therefore, appropriations to the program directly impact the general fund.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					132,644					134,052
Vacancy Savings					(26,164)					(26,221)
Inflation/Deflation					688					800
Fixed Costs					6,708					875
<b>Total Statewide Present Law Adjustments</b>					<b>\$113,876</b>					<b>\$109,506</b>
DP 1 - Annual Rent Increase	0.00	0	1,425	0	1,425	0.00	0	2,159	0	2,159
DP 2 - Contract Examinations	0.00	0	63,193	0	63,193	0.00	0	63,693	0	63,693
DP 6015 - State Motor Pool Rate Change	0.00	0	(22)	0	(22)	0.00	0	(23)	0	(23)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$64,596</b>	<b>\$0</b>	<b>\$64,596</b>	<b>0.00</b>	<b>\$0</b>	<b>\$65,829</b>	<b>\$0</b>	<b>\$65,829</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$178,472</b>					<b>\$175,335</b>

DP 1 - Annual Rent Increase – The legislature funded an annual rate increase of 2 percent increase based upon FY 2006 rates. Rent for FY 2006 was \$36,308.

DP 2 - Contract Examinations – The legislature provided a state special revenue appropriation for the Securities Program to conduct routine examinations of broker-dealer firms and registered investment advisory firms locations on a 5-year schedule through its staff as well as an independent contractor to ensure proper supervisory structures are in place and to prevent and detect sales practice violations. The cost of the examinations is offset by reimbursements from the security companies.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool were reduced from the level requested by the Governor.

**New Proposals**

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	0	46,089	0	46,089	0.00	0	81,962	0	81,962
DP 6014 - Retirement Employer Contributions - HB 131										
04	0.00	0	696	0	696	0.00	0	722	0	722
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$46,785</b>	<b>\$0</b>	<b>\$46,785</b>	<b>0.00</b>	<b>\$0</b>	<b>\$82,684</b>	<b>\$0</b>	<b>\$82,684</b>

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program’s allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.